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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

2002 AUG 23 A 10: 29

AZ CORP COMMISSION
DOCUMENT CONTROL

In the matter of:

) Docket No. S-03502A-02-0000

)
) Turn Two Trading Club
) 1023 N. Sparrow Drive
) Higley, AZ 85236

) **TEMPORARY ORDER TO CEASE AND**
) **DESIST AND NOTICE OF OPPORTUNITY**
) **FOR HEARING**

)
)
) Dennis Wayne Little
) 1023 N. Sparrow Drive
) Higley, AZ 85236

Arizona Corporation Commission

DOCKETED

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)
) Deborah L. Sorensen Little
) 1023 N. Sparrow Drive
) Higley, AZ 85236

AUG 23 2002

)
) Respondents.

DOCKETED BY

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NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING (See XI)

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER (See XII)

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that RESPONDENTS, TURN TWO TRADING CLUB, DENNIS WAYNE LITTLE and DEBORAH L. SORENSEN LITTLE engaged in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and the Investment Management Act ("IM Act") and that the public welfare requires immediate action.

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I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, the Securities Act and the IM Act.

II.

RESPONDENTS

2. TURN TWO TRADING CLUB ("TTTC"), whose last known address is 1023 N. Sparrow Drive, Higley, Arizona 85236, was at all relevant times an unincorporated entity operating in Arizona. TTTC is the registered trade name of DENNIS WAYNE LITTLE.

3. DENNIS WAYNE LITTLE ("DWLITTLE"), whose last known address is 1023 N. Sparrow Drive, Higley, Arizona 85236, was at all relevant times doing business under the name TTTC. DWLITTLE is the owner of the registered trade name TTTC. DWLITTLE represents himself to be the manager of TTTC.

4. DEBORAH L. SORENSEN LITTLE ("DLSLITTLE"), whose last known address is 1023 N. Sparrow Drive, Higley, Arizona 85236, was at all relevant times the spouse of DWLITTLE. As of at least July 5, 2002, DLSLITTLE handled all the administration functions of TTTC.

5. At all times relevant to this action, DWLITTLE and DLSLITTLE acted for their own benefit and for the benefit or in furtherance of the marital community.

6. TTTC, DWLITTLE and DLSLITTLE may be collectively referred to as "RESPONDENTS."

III.

FACTS

7. DWLITTLE registered TTTC as a trade name on or about June 17, 2002. Starting in or about February 2002, DWLITTLE opened a personal trading account at Datek Online

1 Financial Services L.L.C. ("Datek"). DWLITTLE represents that he has found a formula to
2 make money on the stock market through day trading.

3 8. TTTC, an alleged investment club created and managed by DWLITTLE.
4 DWLITTLE makes the trading decisions for all the investors of TTTC. There is no board or
5 advisory panel that makes the decisions for TTTC. According to DWLITTLE, he has complete
6 discretion over the TTTC investment funds.

7 9. RESPONDENTS state in documents that as of July 26, 2002, TTTC has a total
8 balance of \$2,028,204.75 with the total number of members at 422. However, only about
9 \$957,977 has been deposited to the Datek account between about February 20, 2002 through
10 about July 19, 2002.

11 10. RESPONDENTS accept investor funds through a referral system. Based upon
12 information to date, RESPONDENTS program began obtaining investors from their local church
13 and through word of mouth of the current members.

14 11. DWLITTLE provides Excel spreadsheets on the TTTC website to TTTC investors
15 that allegedly reflect the balance in the individual investors "capital accounts." The figures on
16 these spreadsheets do not correlate to the Datek account statements. The "capital account"
17 spreadsheets are not calculated using industry standards such as calculating the balance of the
18 trading account by settlement date.

19 12. RESPONDENTS represent that they are able to make 30% to 40% on the funds
20 invested in TTTC. Based upon the RESPONDENTS' documents provided to offerees and
21 investors and over their website, between February through June of 2002 the average monthly
22 return on the RESPONDENTS' trading activity was 38.36%. The Division's review for the same
23 time period reflects less than 1% return. According to the RESPONDENTS, the best month of
24 trading was May 2002, with a return of 47.56%. In fact, according to the Division's records, the
25 month of May 2002 reflects approximately a 1% loss.

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13. Further, the five months of activity reviewed by the Division reflects that although, the deposits and trading activity were increasing, the percentage of return on the trading account was drastically going down.

MONTH	REPRESENTED BY RESPONDENTS	CALCULATED BY DIVISION	NET PROFIT/LOSS CALCULATED BY THE DIVISION
February	37.82%	23.02%	\$1,726.87
March	30.98%	-5.10	(\$1,083.17)
April	38.20%	1.76%	\$1,563.21
May	47.56%	-1.19%	(\$3,776.86)
June	37.27%	-15.44%	(\$98,776.67)

14. Based upon a review of the trading account records and an analysis of each trade by DWLITTLE, for the five months, February of 2002 through June 30, 2002 the account has had an over all loss of \$100,336.62. At the same time, DWLITTLE has been telling investors he has been making a profit.

15. Initially, DWLITTLE encouraged investors to invest \$100 and DWLITTLE guaranteed that the investor would receive a ten percent profit in 30 days. The guarantee was only on the first \$100. After the 30 day period, an investor could join TTTC permanently by signing on with TTTC.

16. RESPONDENTS hold monthly meetings for TTTC members. Information is communicated to members through email or telephone messages.

17. According to some of the documents provided to investors, the monthly meetings are for conducting club business, dispersing monthly returns for members and determining ownership share for the upcoming month.

18. DWLITTLE claims that he does not receive compensation or remuneration of any kind for operating the investment club. In fact, DWLITTLE receives a benefit from the large

1 number of investors in TTTC through reduced transaction costs on his Datek account. For
2 example, prior to starting TTTC, DWLITTLE day traded for his own account. When trading for
3 his own account, he paid the transaction costs associated with the trading account himself.
4 Through TTTC, DWLITTLE only pays approximately 1/400th of the transaction costs. In
5 addition, DWLITTLE states in the documents provided to investors that the "more people who
6 join this club, the more trades it will make, resulting in more profits per person on a recurring
7 basis."

8 19. All investor funds are deposited into one account. Initially, the investor funds
9 were deposited into DWLITTLE and DLSLITTLE personal bank account. In about June of
10 2002, the RESPONDENTS opened two separate TTTC bank accounts. Both DWLITTLE and
11 DLSLITTLE are the signatories on their personal bank accounts. DWLITTLE is the only
12 signatory on the TTTC bank accounts. DWLITTLE stated that DLSLITTLE is able to access the
13 Datek account.

14 20. Investments can be made either directly to RESPONDENTS or to DWLITTLE's
15 personal Datek account.

16 21. Some investors received documents regarding their investments prior to investing.
17 Some investors received no documents pertaining to their investments prior to investing. The
18 investors that received documents when they invest sign an "Interim Agreement for
19 Membership" ("Interim Agreement"). The Interim Agreement characterizes the investment as a
20 contribution to TTTC.

21 22. DWLITTLE states that the Interim Agreement is the only document that the
22 investors in TTTC will sign.

23 23. DWLITTLE stated that as of July 1, 2002, he is no longer accepting additional
24 members to TTTC.
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VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

32. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

- a) RESPONDENTS misrepresented to offerees and investors the amount of return generated in the TTTC investment club.
- b) RESPONDENTS misrepresented to offerees and investors that they could receive a return on their investments in TTTC of 30% to 40% when, in fact, the returns generated by DWLITTLE were significantly less.
- c) RESPONDENTS TTTC and DWLITTLE misrepresented to offerees and investors that DWLITTLE had applied for registration as an investment advisor when, in fact, no registration has been submitted to the Securities Division of the Arizona Corporation Commission.

33. This conduct violates A.R.S. § 44-1991.

34. RESPONDENT DLSLITTLE made, participated in or induced the sale of securities within the meaning of A.R.S. § 44-2003(A). Therefore, RESPONDENT DLSLITTLE is liable for the above violations of A.R.S. § 44-1991.

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VII.

VIOLATION OF A.R.S. § 44-3151
(Transactions by Unlicensed Investment Advisers
or Investment Adviser Representatives)

35. RESPONDENTS TTTC and DWLITTLE transacted business in Arizona as an investment adviser or investment adviser representative while not licensed or in compliance with Article 4 of the IM Act.

36. This conduct violates A.R.S. § 44-3151.

VIII.

VIOLATION OF A.R.S. § 44-3241
(Fraud in the Provision of Investment Advisory Services)

37. RESPONDENTS engaged in a transaction or transactions within or from Arizona involving the provision of investment advisory services in which RESPONDENTS, directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; (iii) misrepresented professional qualifications with the intent that the client rely on the misrepresentation; and (iv) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit. RESPONDENTS' conduct includes, but is not limited to, the following:

- a) RESPONDENTS misrepresented to offerees and investors the amount of return generated in the TTTC investment club.
- b) RESPONDENTS misrepresented to offerees and investors that they could receive a return on their investments in TTTC of between 30% to 40% when, in fact, the returns generated by DWLITTLE were significantly less.
- c) RESPONDENTS TTTC and DWLITTLE misrepresented to offerees and investors that DWLITTLE had applied for registration as an investment advisor when, in fact,

1 no registration has been submitted to the Securities Division of the Arizona
2 Corporation Commission.

3 38. This conduct violates A.R.S. § 44-3241.

4 IX.

5 **TEMPORARY ORDER**
6 **Cease and Desist from Violating the Securities Act [or IM Act]**

7 THEREFORE, based on the above allegations, and because the Division has determined that
8 the public welfare requires immediate action,

9 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032, 44-3292 and A.A.C. R14-4-307, that the
10 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active
11 concert or participation with them CEASE AND DESIST from any violations of the Securities Act
12 and the IM Act.

13 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2032, 44-3292 and A.A.C. R14-4-
14 307, that the RESPONDENTS are to specifically CEASE AND DESIST from the following:

- 15 1. Offering to sell or selling the investment contracts and/certificates of interest or
16 participation in a profit-sharing agreement as described in Section III above, or
17 offering to sell or selling any similar type of security within or from the State of
18 Arizona, unless such securities are registered with the Commission pursuant to
19 Articles 6 and 7 of the Act;
- 20 2. Receiving funds from purchasers of the investment contracts and/certificates of
21 interest or participation in a profit-sharing agreement described in Section III
22 above, or in connection with any similar type of offering within or from the State
23 of Arizona;
- 24 3. Withdrawing, transferring, pledging, lending, spending, or utilizing in any way
25 any investor funds accepted from the sale of the investment contracts
26 and/certificates of interest or participation in a profit-sharing agreement as
described in Section III above, including, but not limited to, investor funds held

1 in Bank of America accounts nos. 4678117172 and 4675242558, Compass Bank
2 account no. 25500133603 and Datek Online Financial Services, L.L.C. account
3 no. LITTL42062;

4 IT IS FURTHER ORDERED that RESPONDENTS provide to the Division a complete
5 accounting of funds placed in the above referenced accounts. The accounting must be in
6 compliance with generally accepted accounting principles ("GAAP"). The accounting must be
7 provided to the Division within 30 days from service of this Order.

8 IT IS FURTHER ORDERED that RESPONDENTS seek approval of the Division for any
9 transactions in the above referenced accounts.

10 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
11 effect for 180 days unless sooner vacated, modified or made permanent by the Commission.

12 IT IS FURTHER ORDERED that this Order shall be effective immediately.

13 **X.**

14 **REQUESTED RELIEF**

15 The Division will request that the Commission grant the following relief against
16 RESPONDENTS:

17 1. Order RESPONDENTS to permanently cease and desist from violating the
18 Securities Act and IM Act, pursuant to A.R.S. §§ 44-2032 and 44-3292;

19 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
20 from their acts, practices or transactions, including a requirement to make restitution pursuant to
21 A.R.S. §§ 44-2032 and 44-3292;

22 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
23 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

24 4. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
25 one thousand dollars (\$1,000) for each violation of the IM Act, pursuant to A.R.S. § 44-3296;
26

5 || **XI.**

RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and 44-3212 and A.A.C. Rule 14-4-307. A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order to Cease and Desist. Each RESPONDENT must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. A Docket Control cover sheet must also be filed with the request for hearing. A cover sheet form and instructions may be obtained from Docket Control at (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

5 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10
6 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
7 or ordered by the Commission. After a hearing, the Commission may vacate, modify or make
8 permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent
9 Order may include ordering restitution, assessing administrative penalties or other action.

0 If a request for hearing is not timely made, the Division will request that the Commission
1 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
2 may include ordering restitution, assessing administrative penalties or other relief.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-mail

1 shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the
2 accommodation.

3 XII.

4 ANSWER REQUIREMENT

5 Pursuant to A.A.C. R14-4-305, if any RESPONDENT, requests a hearing, within 30 calendar
6 days after the date of service of this Temporary Order to Cease and Desist and Notice of Opportunity
7 for Hearing, RESPONDENTS must deliver or mail an answer to this Temporary Order and Notice
8 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
9 85007. A Docket Control cover sheet must accompany the answer. A cover sheet form and
10 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the
11 Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

12 Additionally, RESPONDENTS must serve the answer upon the Division. Pursuant to
13 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
14 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona,
15 addressed to Wendy Coy, Assistant Director of Enforcement.

16 The answer shall contain an admission or denial of each allegation in this Temporary Order and
17 Notice and the original signature of the RESPONDENTS or the RESPONDENT'S attorney. A
18 statement of a lack of sufficient knowledge or information shall be considered a denial of an
19 allegation. An allegation not denied shall be considered admitted.


20 When RESPONDENTS intend in good faith to deny only a part or a qualification of an
21 allegation, RESPONDENTS shall specify that part or qualification of the allegation and shall admit
22 the remainder. RESPONDENTS waive any affirmative defense not raised in the answer.

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Mark Sendrow
Director of Securities

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Memorandum

RECEIVED

2002 AUG 23 A 10: 29

DATE: August 23, 2002

TO: Nancy Cole
Docket Control

FROM: Wendy Coy
Securities Division

RE: Turn Two Trading Club, Dennis Wayne Little and
Deborah L. Sorensen Little
Docket No. S-003502A-02-0000
Assigned Staff

CC: Mabel Aldridge

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Arizona Corporation Commission
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AUG 23 2002

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This is to notify you that the following individuals have been assigned to the above-mentioned case.

- ☒ Mark Sendrow
- ☒ LeRoy Johnson
- ☐ Matthew Neubert

Wendy Coy (Staff Attorney)

Alan Walker (Staff Investigator)

Karen Troyer (Staff Accountant)